

THESIS

**INTERRELATION BETWEEN CAPITAL MARKET
INDEX AND ECONOMIC GROWTH: COMPARISON
AMONG UNITED-STATES, ENGLAND AND JAPAN, BY
USING GRANGER CAUSALITY TEST.**



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MASTER OF MANAGEMENT

POSTGRADUATE PROGRAM

ATMA JAYA UNIVERSITY YOGYAKARTA

2017



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POSTGRADUATE PROGRAM
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24th July 2017



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STATEMENT OF AUTHENTICITY

I, SAMBOTODY Jean Claudius, hereby declare that this thesis entitled "INTERRELATION BETWEEN CAPITAL MARKET INDEX AND ECONOMIC GROWTH: COMPARISON AMONG UNITED-STATES, ENGLAND AND JAPAN, BY USING GRANGER CAUSALITY TEST", is my own work but not taken or duplicated from any other words. The contain is fully compiled by the author's thinking and writing except for those that have been cited and mentioned in references.

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SAMBOTODY Jean Claudius

ABSTRACT

The purpose of this research is to examine the interrelationship between capital market index and economic growth among United-States of America, England and Japan. Capital market and economic growth are both key elements upon what a national economic development relies on. In order to find out whether capital market index and economic growth are interrelated each other, Granger Causality Test was employed, when Augmented Dickey Fuller Test was used to check the stationarity of historical data. The variables of the study were S&P 100, FTSE 100, Nikkei 225, and GDPs. Quarterly data obtained from official trustful websites were used. The period of the study was from the premier quarter of 1987 to the last quarter of 2016.

The findings conclude that there is an interrelation between capital market index and economic growth, but the direction of causality between the two variables is different in each country. A unidirectional causality from capital market index to economic growth has observed in case of United-States of America. Feed-back causality between capital market index and economic growth has seen in England. And a unidirectional causality has examined between capital market index and economic growth in Japan. The result of the present study is hoping to give an acknowledgement about how far capital market contributes on development of nation through a prospering economic growth; and vice-versa.

Keywords: Capital market index, Economic growth, GDP

INTISARI

Tujuan penelitian ini adalah memeriksa keterkaitan diantara indeks pasar modal dan pertumbuhan ekonomi antara Amerika Serikat, Inggris dan Jepang. Pasar modal dan pertumbuhan ekonomi adalah dua-duanya dipertimbangkan sebagai kunci yang penting pada apa perekonomian nasional bergantung. Dalam rangka untuk mengetahui jika ada keterkaitan antara pasar modal dan pertumbuhan ekonomi, penelitian ini memakai metode *Granger Causality Test* dan untuk menguji jika data penelitian ini adalah stasioner atau tidak stasioner, metode yang akan dipakai adalah *Augmented Dickey-Fuller Test*. Variabel-variabel penelitian adalah S&P 100, FTSE 100, Nikkei 225 dan produk domestik bruto per negara. Data yang akan digunakan adalah data triwulan yang bisa didapat dari situs-situs resmi. Periode penelitian mulai dari triwulan pertama tahun 1987 sampai triwulan terakhir tahun 2016.

Hasil penelitian menunjukkan bahwa ada keterkaitan antara indeks pasar modal dan pertumbuhan ekonomi tetapi arah hubungan sebab dan akibatnya beda antara negara. Contohnya, di Amerikat Serikat dan di Jepang, hasil ujiannya menunjukkan bahwa hanya ada satu arah hubungan antara indeks pasar modal dengan pertumbuhan ekonomi. Sedangkan di Inggris, hasilnya menunjukkan bahwa indeks pasar modal dan pertumbuhan ekonomi adalah interdependen. Hasil penelitian ini bisa juga memperoleh pengetahuan tentang seberapa besarnya pasar modal dalam sebuah negara bisa mendorong perekonomian nasional dan sebaliknya.

Kata kunci : indeks pasar modal, pertumbuhan ekonomi, PDB

ACKNOWLEDGEMENT

I start my acknowledgement statement by thanking God. I unceasingly express thanks to God for his daily blessing on me so that I could accomplish this thesis well. I every day praise God for his blessing.

“By the grace of God, I am what I am”. 1 Corinthians 15:10

Thanks to KBRI Madagascar, Dikti Indonesia and all person or entity responsible of KNB scholarship that allows me to be able to pursue my master’s degree in Universitas Atma Jaya Yogyakarta.

I express my sincere regards to *Keluarga Besar* Universitas Atma Jaya Yogyakarta:

- Dr. G. Sri Nurhartanto, SH, LLM the Rector of Universitas Atma Jaya;
- Drs. M. Parnawa Putranta, M.B.A., PhD. head of postgraduate program, bu Mahestu Noviantra Krisjanti, M.Sc. IB, PhD director of master management program, all lecturers and administers of postgraduate program.
- Drs. Ign. Agus Putranto, M.Si. head of partnership and promotion office, bu Rini Harjanti, Mbak Wenyta and all student staffs of KKP.
- Dra. Rustiana, M.Si. head of Language and Culture Center Office, Mas Vincent, Bu Sunarti, Pak Andreas, Bu Paulina, Bu Lies, Pak Suryo, all lecturers and student staffs of KPBP.
- A. Tri Susiati, S.Kom., M.A head of library, all librarians including Pak Wiwid, Pak Syamta, Bu Agnes, Bu Narmianti, Pak Eddy, Pak Pras, Pak Tri, Pak Didih, and others with whom I had a pleasant six months professional experience.

I would like to express my special regards to my Supervisor Professor Dr. J. Sukmawati Sukamulja, MM. Thank you very much Madam. The acknowledgment and supports that you offered to me are truly precious. I am feeling very grateful. May you live long and prosper. May the almighty God bless you Bu Sukma!

I take this opportunity to thank Dr. C. Handoyo Wibisono, M.M and Dr. I Putu Sugiarta S., SE., M.Si who are both examiners of my thesis.

Special thanks also to Maria Janina Lain S.si who is always sekalian my sayang, my cinta, my nona, my pacar, my kakak perempuan, my adik perempuan, my ibunda, my pendukung,...my all in one. *Jangan pernah lupa bahwa dalam hidop ini cuma ale yang tahu beta pung hati.*

Thanks to my friends, my brothers and sisters in Indonesia, such as Fandy & Wilfred Bahy, Pradip K., Shintia, Lala, Anggi, Mitha Roro, Nita, Wulan, Hbt12, Juni, Yosia, teman MM, kak Amos, J.J., Vikben, Riko, teman kos and others.

Thanks to my Mama, my sisblings Chantal, Richelette, Rollinat, Dorien and all member of my family who always support me even they are far from Indonesia.

TERIMA KASIH BANYAK. MERCI BEAUCOUP. THANK YOU VERY MUCH.

MISAOTRA BETSAKA.

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LIST OF ABBREVIATIONS

ADF: Augmented Dickey-Fuller

ASI: All-Share Index

BSE: Bombay Stock Exchange

CM: Capital Market

DF: Dickey-Fuller

EG: Economic Growth

Eng.: England

FDI: Foreign Direct Investment

FTSE: Financial Times Stock Exchange

GDP: Gross Domestic Product

GDPGR: Gross Domestic Product Growth Rate

GNI: Gross National Income

GNP: Gross National Product

i.e.: that is to say

INR: Indian National Rupee

Jap.: Japan

LIQ: Liquidity of Market

MKTCAP: Market Capitalization

Max: Maximum

Min: Minimum

N: Number

N225: Nikkei 225

Obs.: Observation

PP: Phillips-Peron

Prob.: Probability

R&D: Research and Development

S&P: Standard and Poor

SHSECI: Shanghai Securities Exchanged Index

St. Dev.: Standard Deviation

Stat: Statistic

TMC: Total Market Capitalization

TVS: Total Value Stock

SZSECI: Shenzhen Securities Exchange Index

UK: United Kingdom

USA: United-States of America

USD: United-States Dollars

WESP: World Economic Situation and Prospects

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